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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

AUG 27 1969

Dear Mr. Cliff:

The General Accounting Office has reviewed the Forest Service's procedures for processing vouchers for the payment of goods and services purchased from sources outside the Service. The objective of our review was to ascertain whether a centralized system of processing such vouchers might be more economical than the existing decentralized system.

Our review included an evaluation of the 1966 Forest Service study cited by the Department of Agriculture in its report to the Bureau of the Budget on the progress of the financial management improvement program during fiscal year 1966, that report concluded that a centralized system of processing vouchers in the Forest Service would be more costly and less effective than the existing decentralized system. In addition, we gave consideration to the implications of the Service's recent decision to establish a National Finance Office as it relates to the examination and processing of vouchers. We obtained the comments of the Forest Service on our findings and proposal for corrective action.

We made our review at the Forest Service headquarters office in Washington, D. C.; regional offices in Albuquerque, New Mexico (Region 3), Denver, Colorado (Region 2), Ogden, Utah (Region 4), and San Francisco, California (Region 5), the Rocky Mountain Forest and Range Experiment Station in Fort Collins, Colorado; and at seven national forests offices in the regions visited.

The results of our review are summarized in the following sections of this report.

EXISTING VOUCHER PROCESSING SYSTEM IN FOREST SERVICE

The Forest Service annually processes for payment a total of approximately 470,000 vouchers for nonpersonal services. During fiscal year 1968 the Service incurred obligations for nonpersonal services of about \$306 million. The remainder of the Service's obligations of about \$289 million were incurred for personal services.

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The term voucher processing, as used here, refers to the accumulation, maintenance and assembly of accounts payable documents, the preparation of the voucher when the invoices for goods and/or services have been received, including preparation of the disbursement authorization forms; and the examination and certification of the prepared vouchers. Accounts payable documents, other than the disbursement authorization forms, generally include a purchase order and requisition, receiving report, and an invoice for the goods and/or services obtained.

Under the existing voucher processing system in the Forest Service, the accumulation and assembly of accounts payable documents and the preparation, examination and certification of vouchers are performed by administrative units attached to about 150 individual regional, forest and experimental station offices that initiate the underlying procurement actions. Only the disbursement authorization forms are subsequently submitted to the regional offices for final processing--the preparation and assembly of voucher schedules for submission to disbursing officers.

ADVANTAGES OF CENTRALIZED VOUCHER PROCESSING

On the basis of our review, we concluded that the Forest Service could realize significant savings and other benefits by centralizing voucher processing at the regional offices having automatic data processing (ADP) facilities. The savings and benefits were primarily attributable to:

- the use of statistical sampling techniques in the examination and review of vouchers under \$100 as provided for by Public Law 88-521 (31 U.S.C. 82b-1). We estimated that the use of such techniques would result in eliminating the individual review and evaluation of about 300,000 of the 470,000 non-personal service vouchers processed annually. Based on the average salary costs for employees involved in voucher review and examination, we estimated the net economies resulting from the use of statistical sampling techniques to be about \$335,000 annually after allowing for possible undetected errors in the vouchers not examined.
- the use of specialized, full-time technical and clerical staffs to assemble, prepare, examine, and certify voucher transactions.
- the use of automatic data processing equipment to record and report obligation data, thereby eliminating the extensive

manual operations now required at the end of each month to meet the Service's obligation reporting requirements. Although we recognize that the use of ADP equipment to record, process, and report obligation data would increase ADP costs, we believe that the reduction in clerical and administrative time at operating levels would not only offset such costs, but would result in net savings.

With respect to the 1966 study by the Forest Service which concluded that centralized processing of vouchers would be more costly and less effective than the decentralized system, our review showed that the Service had not adequately determined all the pertinent costs and benefits that would result from a centralized system of voucher processing. We found also that the Service's headquarters staff had not provided adequate direction to the participating units, nor had it investigated certain apparent inconsistencies in the data submitted by the units. Consequently, we concluded that the Forest Service's decision in 1966 not to centralize voucher processing was based on a study of questionable validity.

DECISION TO ESTABLISH A NATIONAL FINANCE
CENTER AND FOREST SERVICE COMMENTS ON
OUR PROPOSAL

After the start of our review the Forest Service initiated a broad study to determine the most economical organizational structure for accomplishing all of its finance and accounting functions. As a result of the study, the Service decided in April 1969 to centralize all its finance and accounting functions, including the voucher processing operations at a National Finance Office (NFO). Current plans of the Forest Service are to have the NFO in full operation in fiscal year 1974.

In view of the time remaining before the NFO will become operational, we brought our findings to your attention in April 1969 and proposed that the Service centralize its voucher processing operations at the regional ADP locations, pending establishment of the NFO.

The Associate Chief of the Forest Service, by letter dated June 18, 1969, advised us that, at this point in time, the development of a centralized voucher processing system at the regional level would require duplication or reorientation of current development efforts since similar tasks were scheduled for the NFO project. The Associate Chief stated, however, that a priority task in the NFO project is the investigation and development of a centralized voucher processing system, and that as the various projects for the NFO are completed, the Service will remain alert to any opportunities to capture additional benefits which become feasible at that time.

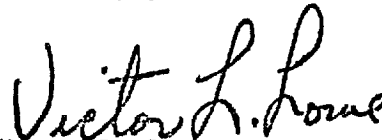
In subsequent discussions, Service officials advised us that they must complete the necessary studies for the NFO, including the design of the centralized voucher processing system, before they could properly assess the situation to determine if and to what extent it might be feasible to undertake an interim centralization of voucher processing at the regional level. They stated that, should it prove feasible, they would favor an interim centralization at the regional level in order to obtain the benefits resulting from centralized voucher processing at an earlier date, and to minimize probable difficulties in transferring voucher processing operations to the NFO.

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In view of the current efforts of the Forest Service to improve its finance and accounting functions by establishment of a NFO and the statements of Forest Service officials that they will give consideration to the interim centralization of voucher processing at the regional level should it prove feasible, we are not making a recommendation at this time. We would appreciate, however, being advised of any actions the Forest Service may take regarding interim centralization of voucher processing.

We wish to acknowledge the cooperation given our representatives during our review.

Sincerely yours,

A handwritten signature in dark ink, reading "Victor L. Lowe". The signature is written in a cursive, flowing style with a large initial "V".

Victor L. Lowe
Associate Director

Edward P. Cliff
Chief, Forest Service